

City of Detroit

OFFICE OF THE AUDITOR GENERAL



Audit of the Greater Detroit Resource Recover Authority's Imprest Cash

April 2006 – March 2008



City of Detroit
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LOREN E. MONROE, CPA
AUDITOR GENERAL

MEMORANDUM

DATE: June 27, 2008
TO: Honorable City Council
FROM: Loren E. Monroe, CPA *Loren E. Monroe*
Auditor General
RE: Audit of the Greater Detroit Resource Recovery Authority's Imprest Cash
CC: Mayor Kwame M. Kilpatrick
John W. Prymack, Director
Norman L. White, Chief Financial Officer

Attached for your review is our report on the audit of the Greater Detroit Resource Recovery Authority's (GDRRA) imprest cash. This report contains our audit purpose, scope, objectives, methodology and conclusions; background; status of the prior audit finding; our audit findings and recommendations; and the response from the Finance Department.

Responsibility for the installation and maintenance of a system of internal control that minimizes errors and provides reasonable safeguards rests entirely with GDRRA and the Finance Department. Responsibility for monitoring the implementation of recommendations is set forth in section 4-205 of the City Charter which states in part:

Recommendations that are not put into effect by the agency shall be reviewed by the Finance Director who shall advise the Auditor General and the City Council of the action being taken with respect to the recommendations.

We would like to thank GDRRA for their cooperation and assistance extended to us during this audit.

Copies of all of the Office of the Auditor General's reports can be found on our website at http://www.ci.detroit.mi.us/legislative/CharterAppointments/AuditorGeneral/audit_main_frame.htm

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AGENCY RESPONSE

Finance Department

ATTACHMENT A

AUDIT PURPOSE, SCOPE, OBJECTIVES, METHODOLOGY AND CONCLUSIONS

AUDIT PURPOSE

The audit of the Greater Detroit Resource Recovery Authority's (GDRRA) Imprest Cash Fund was performed in accordance with the Office of the Auditor General's (OAG) Charter mandate to audit the financial transactions of all City agencies at least once every two years and report findings and recommendations to the City Council and the Mayor.

AUDIT SCOPE

The scope of this audit was a review of the Imprest Cash Fund of GDRRA for the period April 2006 to March 2008.

Our audit was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States, except for the completion of an external peer review of the Office of the Auditor General within the last three years.

AUDIT OBJECTIVES

The overall audit objectives were:

- To determine whether the actual amount of the Imprest Cash Fund is in agreement with the authorized amount.
- To determine whether imprest cash transactions are properly authorized.
- To determine if imprest cash is safeguarded against loss, theft, and unauthorized or improper use.
- To conduct a follow-up review of any imprest cash-related audit findings from the prior audit report.

AUDIT METHODOLOGY

To accomplish our audit objectives, our audit work included:

- Review of the prior audit report of GDRRA.
- Interviews with staff of GDRRA, and documentation of the process for imprest cash transactions.
- Review of imprest cash documents from GDRRA.
- An unannounced count of the imprest cash funds.
- Other audit procedures that we considered necessary to achieve our audit objectives.

CONCLUSIONS

As a result of our audit we have concluded that:

- The actual amount of GDRRA's imprest cash was in agreement with the amount listed in the Finance Department as the authorized amount.
- The imprest cash transactions were properly authorized.
- Imprest cash was adequately safeguarded.
- There were no findings related to imprest cash in the prior audit report.

BACKGROUND

The Greater Detroit Resource Recovery Authority (GDRRA), which was established in 1984, is governed by a seven member Board of Directors. The members of the Board from Detroit are the incumbents of the following offices: the Finance Director, the Budget Director, the Director of the Buildings & Safety Engineering Department, the Director of the Department of Public Works, a representative of the Mayor, the Director of City Engineering, and the Public Works Director of the City of Highland Park. GDRRA is a component governmental unit and is legally separate from the City of Detroit. The Director is John W. Prymack.

GDRRA was established to acquire, construct and operate a waste-to-energy facility. The initial financing was provided by the issuance of \$500 million in revenue bonds augmented by subsequent bond issues. In October 1991, GDRRA sold the facility to private investors in a sale/lease transaction for \$634.9 million. The purchasers agreed to lease the facility to an outside contractor for an initial lease term of eighteen years. The outside contractor operates the facility under a supplemental operating agreement with GDRRA, which results in GDRRA assuming most of the lease obligations. The City of Detroit has agreed to pay tipping fees to GDRRA sufficient to meet these obligations. The City will make the final payment on the GDRRA bonds during fiscal year 2008-2009.

The following table shows the budgeted appropriations, revenues, and number of staff, of GDRRA for the 2006-2007 and 2007-2008 fiscal years.

	<u>Fiscal Year Ended June 30</u>	
	<u>2007</u>	<u>2008</u>
Budgeted Appropriations	\$ 53,892,998	\$ 53,111,479
Budgeted Revenues	53,892,998	53,111,479
Number of Staff	11	11

GDRRA has imprest cash of \$3,000 that is held in a checking account.

STATUS OF PRIOR AUDIT FINDING

The prior audit of the Greater Detroit Resource Recovery Authority dated April 11, 2005 by the Office of the Auditor General did not include any findings related to imprest cash.

OTHER FINDING RELATED TO THE FINANCE DEPARTMENT

1. The Finance Department Has Erroneously Classified the Imprest Cash of the Greater Detroit Resource Recovery Authority as City Funds

In their report of City imprest cash accounts dated February 21, 2008, which was submitted to the Budget, Finance and Audit Committee of the Detroit City Council, the Finance Department listed \$3,000 as the authorized amount for the Greater Detroit Resource Recovery Authority's (GDRRA) imprest cash. Previously, in various reports dating as far back as 1995, there was no listing of imprest cash for GDRRA. During the prior audit of GDRRA conducted by the Office of the Auditor General, we confirmed that GDRRA's \$3,000 imprest cash fund did not include any City of Detroit monies. Disbursements from GDRRA's imprest cash checking account are not reimbursed by or through the City's Accounts Payable Division. The disbursements are approved by the Board of Directors of GDRRA who also authorize the transfer of funds from the GDRRA operating account to reimburse the imprest cash account.

The list of imprest cash accounts should include only those funds that are City monies.

Including GDRRA's imprest cash funds in the listing of authorized City imprest cash accounts creates an error in the imprest cash sub-ledger.

It is not known at this time why the Finance Department included the GDRRA imprest cash in the February 21, 2008 report.

Recommendation

We recommend that the Finance Department review the historical imprest cash records and correct the February 21, 2008 report.



CITY OF DETROIT
FINANCE DEPARTMENT

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Attachment A

June 26, 2008

Loren E. Monroe, Auditor General
Office of the Auditor General
2 Woodward Avenue
Coleman A. Young Municipal Center, Room 208
Detroit, Michigan 48226

Dear Mr. Monroe:

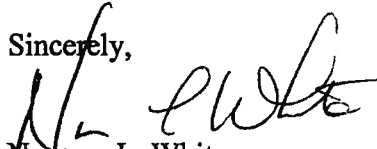
The following presents the Finance Department's response for the indicated finding and related recommendations in the April 2006 – March 2008 audit of the Greater Detroit Resource Recovery Authority's Imprest Cash fund, as prepared by the Office of the Auditor General.

Finding No. 1. The Finance Department Has Erroneously Classified the Imprest Cash of the Greater Detroit Resource Recovery Authority (GDRRA) as City Funds

Department's Response:

The Finance Department agrees with the Auditor General's finding and recommendations. As a result, the Finance Department will remove the Imprest Cash account of the Greater Detroit Resource Recovery Authority from the City-Wide list of Imprest Cash accounts. This is being done as GDRRA is operated by an Authority and Imprest Cash purchases are neither authorized or reimbursed with City of Detroit funds.

Sincerely,


Norman L. White
Chief Financial Officer

NLW:VR:vr

Cc: Vance Russell

